THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF INDIA

ESG, Sustainability Reporting & Integrated Thinking

Presented by

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01

Understanding ESG

What it is, where it came from, and why everyone is talking about it

What is ESG?

ESG stands for Environmental, Social and Governance — a way of looking at how a company manages risks and opportunities that go beyond its financial statements.

"It’s about looking at HOW a company makes its money — not just HOW MUCH it makes."

ESG is used by investors, regulators, customers and employees to judge whether a company is being run responsibly and sustainably for the long term.

E Environmental

S Social

G Governance

The Three Pillars of ESG

Environmental

- Climate change & carbon emissions
- Energy, water & resource use
- Waste, pollution & biodiversity

Social

- Employee wellbeing & diversity
- Human rights & fair labour practices
- Community & customer relations

Governance

- Board structure & independence
- Business ethics & transparency
- Executive pay & anti-corruption

Why Does ESG Matter?

Investors

Use ESG data to judge long-term risk and return potential

Regulators

Are making ESG disclosure mandatory across major markets

Customers & Employees

Increasingly prefer responsible, trustworthy companies

The Business Itself

Manages risk better and often accesses capital more easily

How Did We Get Here? A Short History

1950s-60s

Corporate Social Responsibility (CSR) emerges as a voluntary idea

1987

Brundtland Report defines "Sustainable Development"

2004

UN report "Who Cares Wins" first coins the term ESG

2006

UN Principles for Responsible Investment (PRI) launched

2013

CSR made mandatory in India

2015

Paris Agreement on Climate Change & UN Sustainable Develop. Goals – 17 (SDGs)

2020

ESG disclosure (EU CSRD, India BRSR, ISSB)

2021

BRSR reporting made mandatory in India for select Listed companies

02

Sustainability Reporting

Why & How companies report ESG performance?

What is Sustainability Reporting?

Definition

A sustainability report is how a company communicates its ESG performance and impact to the people who care about it — investors, regulators, employees, customers and communities.

Why Companies Report

- Builds trust & transparency with stakeholders
- Attracts investment and lowers cost of capital
- Improves internal risk management
- Meets growing regulatory requirements
- Drives accountability inside the organisation

The Key Concept: Materiality

Materiality means deciding which ESG issues actually matter — to the business and to its stakeholders.

Financial Materiality

How ESG issues affect the company's own financial performance and value. This is the investor's lens.

Impact Materiality

How the company's actions affect people and the planet. This is the stakeholder's lens.

Double Materiality = considering BOTH lenses together.

The Global Reporting Landscape

GRI (Global Reporting Initiative)	CDP (Carbon Disclosure Project)	SASB (Sustainability Accounting Standards Board)	TCFD (Taskforce on Climate-related Financial Disclosures)	ISSB (International Sustainability Standards Board)
1997 Broadest & most widely used framework worldwide; stakeholder-focused	2000 A global disclosure platform for environmental data …TCFD…ISSB	2011 Industry-specific standards; investor & financial-materiality focused 2022- ISSB	2015 Focused on climate-related financial risk disclosure … ISSB	2021 New global baseline for sustainability-related financial disclosures, building on SASB and TCFD (IFRS S1 & S2)

GRI — Global Reporting Initiative

- **Introduced in 1997 — the oldest and most widely adopted sustainability framework globally**
- **Built around impact materiality — how a business affects the world around it**
- **Speaks to a broad stakeholder audience: NGOs, communities, employees and investors alike**
- **Combines Universal Standards (apply to all) with Sector Standards (industry-specific)**

SASB & TCFD

SASB

Sustainability Accounting Standards Board

- 2011
- Industry-specific standards (77 industries)
- Focused on financial materiality
- Designed for investors
- Maintained by the ISSB as a key source of industry-based guidance

TCFD

Task Force on Climate-related Financial Disclosures

- 2015 by Financial Stability Board
- Focuses purely on climate-related risk
- Structured around 4 pillars:
- Governance → Strategy → Risk Management → Metrics & Targets
- Widely referenced by regulators worldwide
- ISSB standards incorporate TCFD principles

The New Global Baseline: ISSB

The International Sustainability Standards Board (ISSB) was formed in November 2021 under the IFRS Foundation.

IFRS S1

General requirements for disclosing sustainability-related financial information

IFRS S2

Climate-specific disclosures, building directly on the TCFD structure

Goal: one common global language for sustainability reporting — just as IFRS did for accounting.

India's Framework: BRSR

Business Responsibility & Sustainability Report

A mandatory ESG disclosure format for listed companies in India, prescribed by SEBI (Securities and Exchange Board of India).

- **Introduced in 2021, replacing the earlier Business Responsibility Report (BRR)**
- **Applicable to the top 1,000 listed companies by market capitalisation**
- **Built on the 9 Principles of the National Guidelines on Responsible Business Conduct (NGRBC) issued by the Ministry of Corporate Affairs (MCA)**

How BRSR is Structured

Section A

General Disclosures

Company profile, operations, products & workforce details

Section B

Management & Process

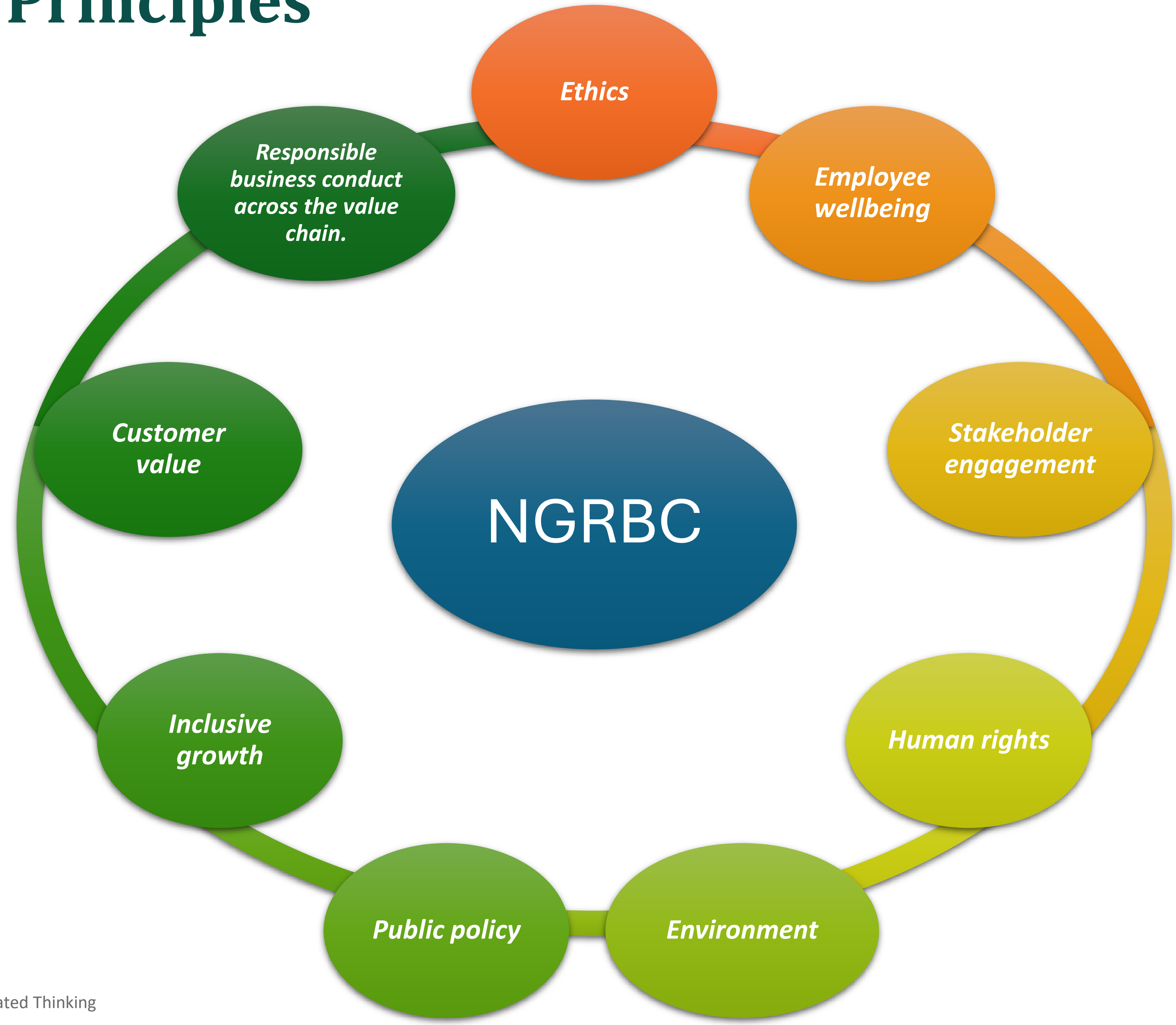
ESG policies, governance structures & processes in place

Section C

Principle-wise Performance

Detailed performance against the 9 NGRBC principles (E, S & G)

NGRBC – 9 Principles



BRSR Core (2023 Update)

- **A focused subset of key, quantifiable ESG performance indicators**
- **Requires independent assurance — reasonable or limited — to verify the data reported**
- **Being phased in as mandatory for the top 1,000 listed companies, extending to key value-chain partners (major suppliers & customers)**
- **Brings BRSR closer to global standards such as GRI and ISSB, making Indian ESG data more comparable internationally**

03

Integrated Thinking

What Is Integrated Thinking

Integrated Thinking is how an organisation actively considers the relationships between its different departments and the resources (capitals) it uses — connecting strategy, governance, performance and value creation into one picture.

Not a report

Integrated thinking is a management discipline; integrated reporting is one of its outputs.

Breaks down silos

Finance, sustainability, HR and strategy teams plan around a shared view of value.

Forward-looking

Connects past performance to future strategy, risks and resource allocation.

The Six Capitals

The resources every organisation draws on and affects to create value

Financial

Funds available to the business

Manufactured

Buildings, equipment & infrastructure

Intellectual

Knowledge, IP, brands & systems

Human

People’s skills, experience & motivation

Social & Relationship

Trust with communities & stakeholders

Natural

Air, water, land & natural resources

How it All Connects

ESG Performance → Sustainability Reporting (BRSR / GRI / ISSB) → Integrated Thinking → Integrated Report & Long-term Value

Good ESG performance leads to credible reporting. Credible reporting, guided by integrated thinking, produces a report that shows investors and stakeholders the full picture — and drives better decisions.

Integrated Thinking in Practice

1	**Board & Audit Committee**	**Sustainability risk on the same agenda as financial risk, not a standalone item once a year.**
2	**Strategy & Capital Allocation**	**Investment decisions weigh impact on all six capitals, not financial return alone.**
3	**Performance Management**	**Non-financial KPIs linked to remuneration and management accountability.**
4	**Assurance & Controls**	**Internal controls over sustainability data held to the same rigour as financial data.**

How the Three Concepts Connect

ESG	A framework for identifying and assessing environmental, social and governance risk and opportunity.
Sustainability Reporting	The structured disclosure of ESG performance and impact to stakeholders and markets.
Integrated Thinking	The management mindset that connects ESG performance to strategy, capital allocation and value creation.

Roadmap

1. **Assess** — Benchmark current disclosure against BRSR / ISSB requirements
2. **Align** — Connect sustainability strategy explicitly to capital allocation and board agendas
3. **Build** — Strengthen data systems and controls behind non-financial reporting
4. **Assure** — Move progressively toward external assurance over key disclosures
5. **Advance** — Embed integrated thinking into planning, not just year-end reporting

Challenges We Must Navigate

Data Quality & Systems

Non-financial data often does not have the same level of established systems, processes and internal controls as financial data.

Capacity & Capability

There is a growing gap between the demand for ESG expertise and the availability of skilled professionals in measurement, reporting and assurance.

Greenwashing Risk

Overstated claims can quickly undermine credibility; disclosures must be supported by evidence rather than aspirations.

Framework Overlap

Multiple standards still need to be aligned, although alignment under ISSB is progressing.

Key Takeaways

- ESG = how a company manages risks & opportunities beyond the financial statements
- Sustainability reporting = communicating ESG performance transparently to stakeholders
- BRSR = India’s mandatory framework, steadily aligning with global standards
- Integrated thinking = connecting the dots into one story of long-term value creation
- This is the direction corporate reporting is heading — one connected story, not silos

ICAI THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

Driving Transparency. Building Trust.
Empowering Sustainable Future.

SUSTAINABILITY REPORTING MATURITY MODEL (SRMM)

VERSION 3.1 & 3.2

Developed by ICAI

SRMM 3.1

For **MANUFACTURING**

Driving Sustainability in **Manufacturing Enterprises**

SRMM 3.2

For **SERVICES**

Enabling Sustainability in **Service Sector Organizations**

A ROADMAP TO MATURE SUSTAINABILITY REPORTING

- Structured Assessment Framework
- Progressive Maturity Levels
- Enhanced Stakeholder Confidence
- Aligned with Global Sustainability Standards & Best Practices
- Focus on Materiality & Impact
- Actionable Insights for Continuous Improvement

ENABLING ORGANIZATIONS TO:

- Enhance Reporting Quality
- Strengthen Governance & Accountability
- Demonstrate Sustainability Leadership
- Create Long-term Value for People, Planet & Prosperity

TWO SECTOR-SPECIFIC MODELS. ONE SUSTAINABLE VISION.

SRMM 3.1 for Manufacturing.
SRMM 3.2 for Services.

Moving Together. Growing Together. Sustaining Together.

ICAI's Commitment to a Sustainable Tomorrow.

SRMM 3.1 & 3.2 — Advancing Sustainability Reporting Maturity in India and Beyond.

Thank You

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